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## COMMERCIAL LENDING ESSENTIALS FOR CONSUMER AFFAIRS

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### *Type of Participant Targeted*

The Commercial Lending Essentials for Consumer Affairs (CLECA) School is designed to be an optional training opportunity for consumer compliance examiners. The overall goal of the course is to familiarize them with the basic techniques to underwrite and price commercial loans.

The ideal participant for this school is someone who has recently attended the BASE, CA I, and CA II schools. Since this course covers basic commercial lending concepts, it is not intended for individuals with strong commercial lending experience or a background in safety and soundness examination concepts.

### *Prerequisites*

Participants should have:

- Completed the Examiner Orientation Program, the BASE School, Introduction to Consumer Compliance Examinations (CA I) School, and Consumer Compliance Examinations II (CA II) School
- Completed the “Understanding the Numbers” module in the RMA eMentor program. *It takes approximately 10 hours to complete.*
- Reviewed the Sunshine State Bank Commercial Loan Policy and are prepared to develop articulated lending standards during the class.

### *Course Overview*

This course provides the fundamentals of commercial lending, beginning with the review of a fair lending scope memo that explains why commercial loans have been selected as a focal point for a fair lending examination. Actual commercial loan file information will be used by participants as they walk through the underwriting process. Small lectures will be interspersed with exercises as participants learn how the loan was underwritten, priced, and structured. This will include a discussion of commercial real estate projects and agricultural lending. Participants will be given 10 case study loans to evaluate to decide if the bank would have approved or denied them based upon the loan policy and articulated lending standards that they have developed. Participants will be required to summarize their analysis in a Summary Memo, which the instructors will review and provide feedback to each group. The memos will be used in debriefing the entire class and in discussing how they can incorporate what they have learned into a fair lending examination.

There is no written test or formally assigned homework. Instead, the participant’s understanding of the course material is demonstrated through the development of a case study summary memo.

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### *Course Objectives*

After completing this 5-day course, the participant, at a minimum, will be able to complete the following objectives.

- Demonstrate a fundamental knowledge of small business lending that can be utilized in a fair lending examination
- Discuss how a bank underwrites, prices, and structures a small business loan
- Recognize the appropriate role of lender judgment in small business lending as the lender applies the bank's underwriting standards

### *Post-Course Intervention*

After completing CLECA School, the participant should be given on-the-job assignments that will increase the retention of the competencies presented during class. Such on-the-job assignments include the following examples.

- Assist in evaluation of a bank's commercial lending activities in a fair lending or CRA exam
- Conduct/participate in a discussion with bank commercial lending personnel
- Assess a bank's commercial lending efforts regarding several criteria

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***Overview of Commercial Lending Essentials for Consumer Affairs Curriculum***

<b>Subject</b>	<b>Approximate Class Hours</b>	<b>Homework Hours</b>
Introduction & Icebreaker	1.00	*
Loan Documentation	1.50	
Commercial Loan Decision Process	12.50	
Collateral & Security Interests	1.50	
Appraisals	1.50	
Loan Structure & Pricing	1.75	
An Overview of Agricultural Lending	2.75	
Bank Case Study	9.00	
Total	31.50	

\* Homework for this course consists of daily unfinished in-class exercises or case study work.

***Class Size***

The optimal class size for the CLECA School is 20 participants. To provide sufficient variety of interaction among class participants, the minimum class size is 15 participants. Because this course incorporates small group work to present some instructional material, sufficient instructors are available to assist these small groups. Accordingly, to ensure a manageable instructor workload and maintain a reasonable participant-to-instructor ratio, a maximum class size is 25 participants.

***Instructors***

CLECA includes one lead instructor and three to four additional instructors with commercial lending/safety & soundness examination experience.